

The Research on the Evaluation of the Ability of Firm Global Resource Allocation

Qing Guo^{*1}, Li Ma²

State Grid Energy Research Institute

Beijing China

^{*1}guoqing_ruc@139.com; ²mali@sgeri.sgcc.com.cn

Abstract

The resource allocation is the basic problem that the enterprise has met in the pursuit of profit maximization process, and enterprise global allocation of resources ability is the core of the enterprise to carry out international business. In this paper, we build the enterprise global allocation of resources ability evaluation index system from investment decision-making, organization, control operations, core resources and core business operations four aspects, and we find that Chinese electric power enterprise still has heavy disparity with the international first-class enterprises in the ability of global resource allocation.

Keywords

Global Resource Allocation; Ability Evaluation; Electric Power Enterprise

Introduction

The resource allocation is the basic problem that the enterprise faces in the pursuit of profit maximization process. Enterprise resource allocation in global is the extension of domestic resource allocation. It is allocating the manpower, material, capital, research and development, marketing and information by using the domestic and international two markets, and then realize the purpose of configuration optimized, economic efficiency, market expanding and profits improving. On the condition of enterprise strategy and the total resources available, realize the optimal utilization of resources and maximize profits.

With large enterprises facing increasingly intense competition in the international market, global resource integration becomes the key to cultivating enterprise competitive advantage. How to enhance the comprehensive ability of resource allocation in global scope, achieve the optimal allocation of resources, is the key to enterprise international competitiveness as well as the key to the success of enterprise internationalization strategy. In the present study, most of the literature researches focus on the basic theory of enterprise internationalization and how the

enterprises implements internationalization at the macro level analysis. This article takes the perspective of resource allocation as the breakthrough point, build enterprise global allocation of resources ability evaluation model, and attempt to find out the enterprises in the global configuration of short board. All of these are to provide methodology basis for the resources allocation on a global scale for the enterprise.

Literature Review

Enterprise resource is the essential element for the enterprise production and business operation activities to gain a competitive advantage. But before the late 1980s, study of enterprise competitive advantage in the field of strategic management had been dominated by the external sources of competitive advantage of industrial organization theory (such as Mintzberg in 1998, the research achievements of evolution and development of strategic theory, also known as positioning school). As the change of market demand became faster, the enterprise product life cycles were getting shorter, people gradually realized that the enterprises only focusing on product market dominant position was not enough, because in the new competitive environment it was difficult to create sustainable competitive advantage. After the end of 80s of the 20th century, with the development of resource-based theory, people gradually got attention from external to internal, began to pay close attention to internal sources of competitive advantage (Hoskisson, Hitt, Wanand yiu-chee, 1999). Degree-effect broke through the industrial organization theory about the formation of enterprise competitive advantage model. The theory is that the root cause of the differences in enterprise performance is the result of enterprise internal resources, not just relies on the external product market structure. The emergence of this idea, made people realize the importance of the enterprise resources to the enterprise function of value creation strategy. The competitive advantage of

enterprises for competition has transferred from the industry market level to the enterprise internal resource allocation level.

About the question how to divide the strategic resources between mother and child company and departments, and the question of the formation the company strategy in practice, the allocation of resources not only becomes one of the core of corporate strategy management, also the basis of the continued success of the company strategic leadership. From the perspective of the literature review's result, many early scholars has studied the multinational companies building new factories or new production line of investment process and strategic plan to explore the influencing factors on allocation of enterprise resources and strategic commitment reaction model. Berg (1970) studied the large multinational companies on how to configure resources among multiple departments, and put forward a descriptive resource allocation model. The study after that adopt the way of "looking for exception" to explore the situation of application of RAP, for example, the core business to retreat or liquidation (Burgelman, 1983a), the internal business process (Burgelman, 1983b), the influence process of the providers of capital to invest in the business (Noda&Bower, 1996), product market customer's response to treatment breakthrough technology innovation (Christensen&Bower, 1996; Sull, 2005; Gilbert, 2001), strategic integration process (Eisenmann&Bower, 2000), multinational company strategy formation process (Doz, Santosand Williamson, 2001), etc. Multinational company's resource allocation process is not only a decision-making process, but also a social process. Different levels of environment, attitudes to risk, stress responses and failure tolerance and management goal difference company managers facing will lead to conflicts of project resource allocation (Noman, 1963).

Besides, there are many scholars who has studied the factors influencing the allocation of resources from different perspective. For example, Raynor (2005) found that the allocation of resources in the process of objectivity can be improved through the option design; Podolny (2005) used social network theory to study the CEO role in resource allocation process of from the top down and to the intervention of the allocation of resources from the bottom up by path. Both of these researches are exploring the situation of resource allocation process from promoting the interaction of process definition and process, which enable us to understand the allocation of resources more deeply

from the angle of process paths and mechanisms (Wei Wenchuan and Zhi-long Tian, 2007).

Global Resource Allocation Ability Evaluation Model

To evaluate the differences of the global resources allocation abilities between different multinational companies, we build evaluation index system from the investment decision-making, organization, control, core resources, the core business operation four aspects, which include 4 first-level indicators, and 17 secondary indexes to evaluate enterprise resource allocation ability comprehensively. We now introduce the indexes respectively.

Investment decision-making ability indexes includes five secondary indexes. At the macro level, the investment decision-making for international success has a decisive role. In the investment decision-making influence factors, according to expert opinions, we select enterprise internationalization strategy research level, the use of outside consultants, overseas project implementation success rate, decision cycle from the selection of project to the final decision-making, and the percent of decisions that managers make directly as five indicators.

Organization control ability indexes includes three secondary indexes. Organization control ability is related to the international business company's normal operation, which is the key to recoup investment. Specifically, we select control system perfect degree of international business, the length of time from top-level decision making to the project implementation, international business management information system coverage three indexes to measure organization control capability.

Core resources operation ability indexes includes five secondary indexes. Enterprise allocation of global resources capacity is the core resources configuration in the micro level. Generally speaking, the company's core resources include human resource, material, capital, R&D and marketing five aspects. We select the above five aspects of resource allocation ability as the core operation ability evaluation indexes.

Core business operation ability indexes includes four secondary indexes. According to experts' opinions, we choose international business investment profit level, all kinds of business coordination development level, overseas project development and management level, horizontal collaboration level four indexes as internal unit as business operation ability evaluation indexes.

TABLE 1 GLOBAL RESOURCE ALLOCATION ABILITY EVALUATION INDEX SYSTEM

First indexes	weight	Secondary indexes	weight
Investment decision-making ability (u)	a	enterprise internationalization strategy research level (u1)	a1
		the use of outside consultants (u2)	a2
		overseas project implementation success rate (u3)	a3
		decision cycle from the selection of project to the final decision-making (u4)	a4
		the percent of decisions that managers made directly (u5)	a5
Organization control ability indexes (v)	b	control system perfect degree of international business (v1)	b1
		the length of time from top-level decision making to the project implementation (v2)	b2
		international business management information system coverage (v3)	b3
Core resources operation ability indexes (w)	c	Human resource (w1)	c1
		Capital (w4)	c2
		Material procurement (w2)	c3
		R&D (w3)	c4
		Marketing (w5)	c5
Core business operation ability indexes (x)	d	international business investment profit level (x1)	d1
		all kinds of business coordination development level (x2)	d2
		overseas project development and management level (x3)	d3
		horizontal collaboration level (x4)	d4

Through the above analysis and explanation, we ultimately build multinational, global resources ability evaluation index system, shown in table 1. Among all, u1 - u5, v1 - v3, w1 - w5, x1 - x4 are the scores for each secondary index; a1 - a5, b1 - b3, c1 - c5, d1 - d4 are the weights of corresponding indexes.

The Empirical Analysis

We choose a Chinese electric power enterprises as the research objects. Through expert scoring, we weight the scores of the allocation of resources capacity indexes to obtain the final score. There are 30 experts in our questionnaire, as a result we can get 30 scores for each index, so we take the average, and weight average score of each index. All weights are calculated by Analytic hierarchy process (AHP) method.

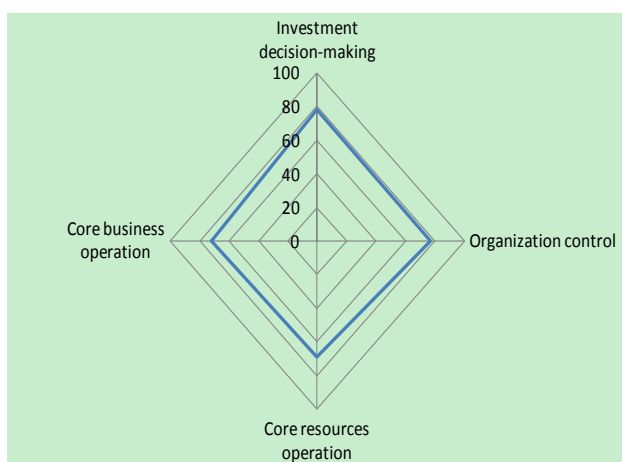


FIGURE 1 RESULTS OF THE EVALUATION

The final results are shown in the figure below. The investment decision-making ability scores 78.23;

Organization control ability scores 76.54; Core resources operation ability scores 69.13; The core business operation ability scores 72.14. As can be seen from the evaluation results, the electric power enterprise in the investment decision-making, organization, control operations, core resources and core business operation ability remains to be strengthened.

Conclusions

This article builds the enterprise global resource allocation ability evaluation model from the investment decision-making, organization, control, core resources, the core business operations four points of view.

And we choose a Chinese electric power enterprise as the research object. Through the analysis, the main conclusions are as follows:

First, the enterprise global allocation of resources ability construction mainly reflected in the investment decision-making, organization, control operations, core resources and core business operation four aspects.

Second, the electric power enterprises in China are of large size, but the resource allocation abilities still have large gap compared to the world first-class enterprises.

REFERENCES

Jian Ni. "Empirical on the Growing Strategy of the Firms in the Developing Countries." Master Thesis of Renmin

- University of China, 2007.
- Qi Sun. "Management Model of GE." Renmin University of China Publication, 2005.
- The Ministry of Commerce. "National Trade and Investment Environment Report." 2013.
- The United Nations Conference on Trade and Development. "The World Investment Report." 2013.
- Zhi Li. "Central Government Owned Enterprises Internationalization Report." China Economic Publication, 2013.